

THE STAPPAS PERSPECTIVE

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UPDATE ON THE ECONOMY

UPDATE ON BAILOUT

When this program was first implemented there was widespread dismay. This author; however, felt that this was “medicine” that the economy (the patient) required and that without this “medicine” the patient could “die”. The one very important item that virtually no one considered was that the MONEY HAD TO BE REPAID.

What is the result? Very positive.

CITIGROUP – on 3/29/10 the treasury reported it would begin selling the stake it owns in Citigroup Inc., which could result in a **profit** to the government of about \$7.5 billion.

AIG – this was supposedly the worst “deal” made by the government; instead, it was reported in January of this year that the government will begin selling stock over the next two years which could net the taxpayers **billions in profits**.

MORGAN STANLEY – on August 6, 2009 it was reported that the government made a \$1.27 billion profit on funds lent to the firm.

ALL MAJOR BANKS – in addition to the above, all other major banks that borrowed money from the Fed have repaid the loans with a **profit**.

UPDATE ON THE ECONOMY

In December of 2010 the AP reported the following:

“The economy is showing new life in the final months of the year.”

“U.S. factory output grew for the 16th straight month in November”

“The Institute for Supply Management said its index of manufacturing activity came in at 56.6 for November. Any reading above 50 indicates growth. The October figure was 56.9. At the depths of the recession, it was closer to 30.”

“new survey by the Federal Reserve finds that almost all of the nation -- 10 of its 12 regions -- is growing economically.”

“Small businesses, which have struggled to get credit since the recession, had the biggest gains.”

“The manufacturing report showed that new orders and production also grew, but at a slower pace. Factory employment grew for the 12th month in a row, although slightly slower than in October.”

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In January of 2011 the AP reported the following

“Industrial production rose in December by the largest amount in five months, providing the economy with solid momentum heading into the New Year.”

“Activity at the nation's factories, mines and utilities increased 0.8 percent last month, the Federal Reserve said Friday. Industrial production was up in every month but one in 2010.”

“Overall industrial activity has risen 11 percent since hitting its recession low in June 2009. But it is still 6 percent below its peak reached in September 2007”

“Factory production, the biggest slice of industrial output, rose 0.4 percent, the sixth straight monthly increase. Makers of computers and electronic products, clothing and leather, chemicals and other products were among the industries seeing gains. But auto production dipped.”
(As of the date of this newsletter, auto product is up substantially)

GENERAL INFO ON THE ECONOMY

Over the past year or so I found it interesting that many foreign firms are investing in the US. This is really another positive point regarding our economy and its ability to rebound and grow. THE KIPLINGER LETTER reported in its October 15, 2010 issue, “Firms from emerging markets are after larger shares of the U.S. market. Chinese and Indian companies are pouring billions into American manufacturing in industries from soda ash and steel to auto parts and pharmaceuticals. Its sheer size makes the U.S. the essential target for foreigners. Many are looking to pick up bargains while assets remain relatively cheap. Plus, by manufacturing in the U.S., they're less vulnerable to trade disputes. ”

In October of 2008 Warren Buffet stated, "I don't like to opine on the stock market, and again I emphasize that I have no idea what the market will do in the short term. Nevertheless, I'll follow the lead of a restaurant that opened in an empty bank building and then advertised: 'Put your mouth where your money was.' Today my money and my mouth both say equities." Over the past several years Warren Buffet did, indeed, invest and made **SUBSTANTIAL PROFITS.**

NOT BAD

PERSPECTIVE – the recovery of the economy from “the brink” has been quite good and the actions taken were needed; however, the current excessive spending and the huge deficits being faced by the states and federal governments must be addressed. Let’s face it, if you only had one dollar to spend, how can you spend three or four or five? The answer; you cannot unless you borrow and if you borrow you must remember the loan must be repaid.

About Our Organization...

We provide complete and total STRATEGIC PLANNING consulting services to individuals that own and operate their own business as well as our exclusive BMA service that provides complete bookkeeping (saves an average of \$18,000 per year) and complete payroll (saves up to 70%). We help our clients succeed. Please contact us for more information. Call us or visit our web site for additional information.